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In 1989, franchised new-car and truck dealers eked out a modest increase in total sales dollars, but profits plummeted more than 40 percent. Given the tremendous influence that America's dealers have on the overall economy, the decline in profits is worrisome.

Total dealership dollar sales equaled \$304 billion in 1989 and represented 17.5 percent of total retail sales in the nation. Dealers sold 14.8 million new units in 1989, resulting in total new-unit sales of more than 92 million units during the past six years. Also, franchised new-car dealers sold 14.7 million used units and performed 195 million repair orders.

Rising dollar and unit sales enabled dealers to increase their payrolls again in 1989. During the past six years, dealership employment has increased 28 percent to 955,000 employees. The total payroll for all dealerships in 1989 was \$24.8 billion.

Franchised dealers are more than just providers of goods, services, and jobs; they are also purchasers. In 1989, dealers had total expenditures (excluding cost of goods sold) of \$41 billion. Some typical expenditures included: advertising (\$3.8 billion), rent (\$3.4 billion), floor-plan interest (\$3.1 billion), and heat, light, and power (\$0.7 billion). In addition, the franchised dealer is a major source of tax revenue and, in most instances, a principal contributor of time and money to local charities.

For these reasons, it is important that dealership profit declines be arrested so that dealers can continue to support and lead the nation's economic expansion.

NADA Data is prepared by NADA's Industry Analysis division. For questions or reprints, call (703) 821-7088 or write to Tom Webb, Chief Economist, NADA Industry Analysis, 8400 Westpark Dr., McLean, VA 22102.

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TOTAL DEALERSHIP SALES

Because of declining new-unit sales and only modest price increases, the average dealership's total dollar sales rose less than 2 percent in 1989.

Used-vehicle and service/parts sales showed modest gains of more than 3 percent. In 1988, both used vehicles and service/parts advanced at a double-digit pace.

Total gross and expense

Gross as a percent of sales for the total dealership fell sharply in 1989, while expenses advanced at the same pace as total sales.

Some major expenses of the average dealership in 1989 were:

Payroll	\$1,000,000
Advertising	\$154,000
Rent and equivalent	\$139,000
Floor-plan interest	\$127,000

Total dealership profits

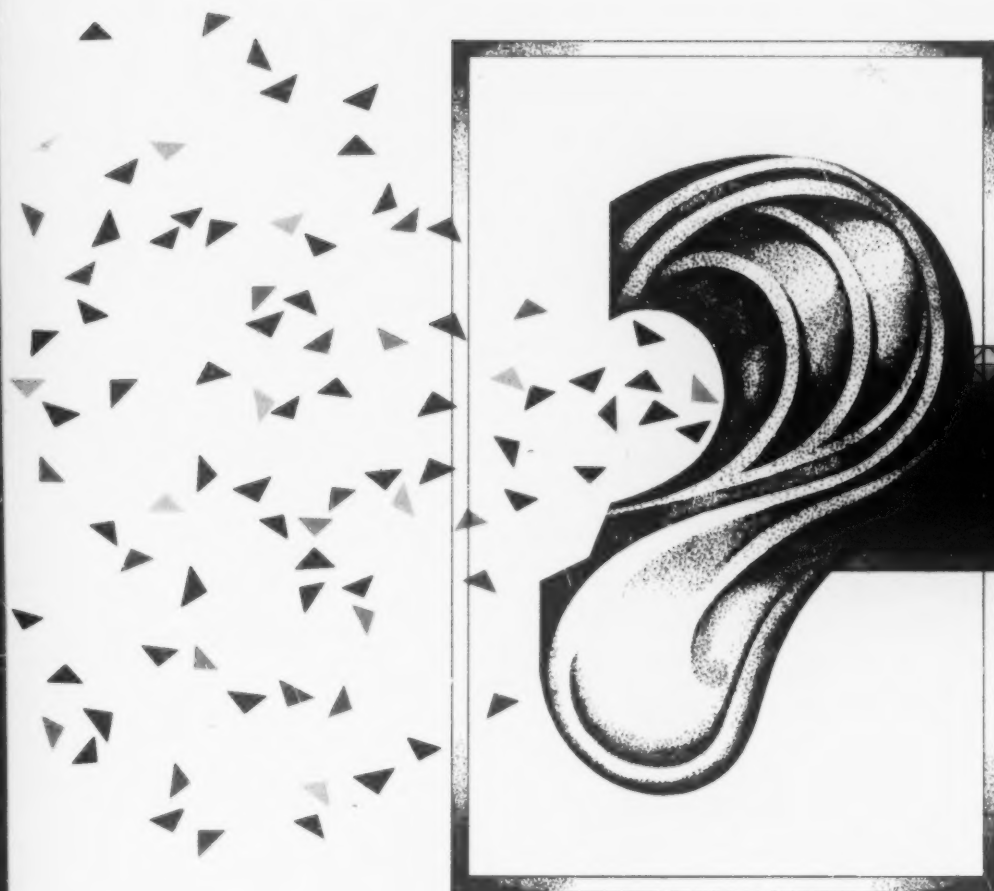
Dealership profit margins fell this past year to the lowest level since the 1980 recession. Net profit before tax as a percent of total sales was a mere 1 percent, and according to NADA, approximately 25 percent of all dealerships lost money in 1989.

Net profit before tax as a percent of net worth fell from 27 percent in 1988 to 17 percent in 1989. The decline would have been greater, but there was a 7 percent deterioration in net worth during the year.

AVERAGE DEALERSHIP PROFILE

	1983	1984	1985	1986	1987	1988	1989	% Change 1988-89
Total dealership sales	7,590,212	9,136,259	10,177,270	10,821,114	11,198,762	12,124,589	12,293,051	1.4
Total dealership gross as % of total sales	1,042,136 13.7	1,232,481 13.5	1,454,332 14.3	1,535,516 14.2	1,696,613 15.2	1,825,963 15.1	1,764,053 14.4	-3.4
Total dealership expense as % of total sales	879,706 11.6	1,033,311 11.3	1,230,432 12.1	1,301,780 12.0	1,486,076 13.3	1,618,633 13.4	1,641,122 13.4	1.4
Net profit before taxes as % of total sales	162,431 2.1	199,170 2.2	223,900 2.2	233,736 2.2	210,537 1.9	207,330 1.7	122,931 1.0	-40.7
(Net pretax profit in constant 1982 dollars)	157,375	164,985	200,802	205,799	178,845	169,124	95,668	-43.4
New-vehicle dept. sales as % of total sales	4,812,195 63.4	5,975,113 65.4	6,869,657 67.5	7,282,610 67.3	7,133,612 63.7	7,626,366 62.9	7,646,277 62.2	0.3
Used-vehicle dept. sales as % of total sales	1,707,798 22.5	1,946,023 21.3	1,994,745 19.6	2,153,402 19.9	2,486,125 22.2	2,764,406 22.8	2,851,988 23.2	3.2
Service and parts sales as % of total sales	1,070,220 14.1	1,215,122 13.3	1,312,868 12.9	1,385,103 12.8	1,579,026 14.1	1,733,816 14.3	1,794,785 14.6	3.5
New-vehicles average selling price	10,725	11,100	11,925	12,950	13,450	14,100	15,100	7.1
Average net worth (as of 12/31)	548,030	557,769	634,098	620,833	743,610	760,162	704,069	-7.4
Net profit as % of net worth	29.6	35.7	35.3	37.6	28.3	27.3	17.5	

Source: NADA Industry Analysis



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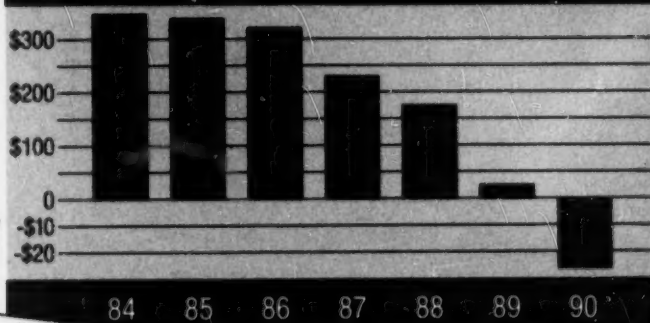
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NEW VEHICLE DEPARTMENT PROFITS

(\$ Per New Vehicle Retailed • 7 Years 1984-1990)

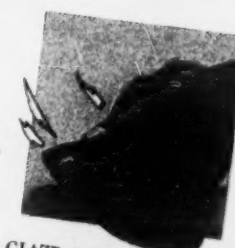


Source: NADA, March 1990 Automotive Executive Magazine



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NADA OPTIMISM INDEX

For the past 13 years, NADA's Industry Analysis Division has conducted a quarterly survey of the profit expectations of new-car and truck dealers for the next 12 months. The survey results have closely matched future dealership profits and have also served as a barometer for national economic trends.

During 1989, the Dealer Optimism Index plummeted from 135 in January to a nine-year low of 65 in July. The lack of new-vehicle-sales profits contributed to dealers' increased pessimism. But the index stabilized after July as dealers made some profits even as new-unit sales continued falling.

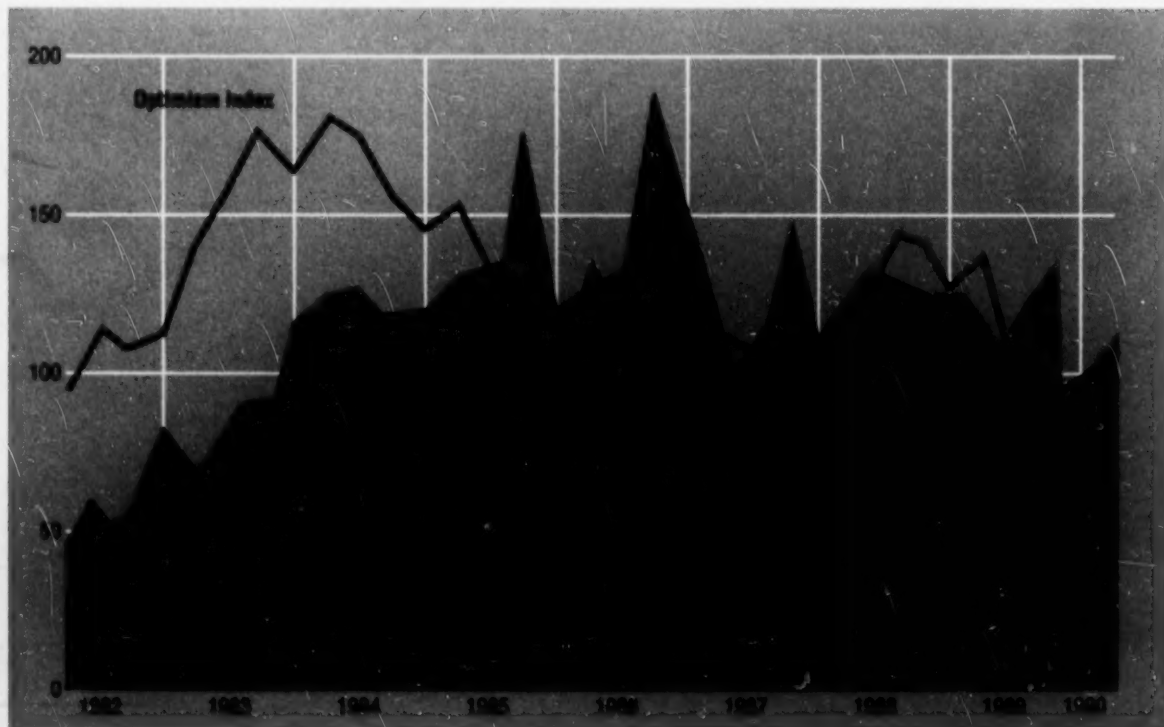
The chart below shows that the Dealer Optimism Index correctly forecasted record new-unit sales that occurred in the mid-1980s. The current dealer-optimism level indicates new-car sales will remain lackluster through 1990 and early 1991.

EXPECTATIONS FOR DEALERSHIP PROFITS

	Percent of dealers expecting profits to:			Index Value
	Increase	No Change	Decline	
4/76	57.7	35.4	6.9	163
4/77	46.9	43.8	9.3	146
4/78	35.4	51.2	13.4	126
4/79	29.0	50.5	20.4	112
4/80	9.2	25.4	65.3	51
4/81	30.0	51.5	18.6	111
4/82	33.4	47.5	19.2	115
4/83	54.4	38.1	7.5	155
4/84	60.0	36.1	3.9	171
4/85	41.6	44.6	13.8	133
4/86	33.3	44.6	22.1	115
4/87	29.3	43.1	27.6	103
4/88	47.0	43.5	9.5	145
4/89	26.8	42.7	30.6	96
1/90	30.3	45.7	24.0	107

Source: NADA Industry Analysis

OPTIMISM INDEX VS. NEW-CAR SALES



Source: NADA Industry Analysis

FRANCHISED NEW-CAR DEALERSHIPS

The number of franchised new-car dealerships declined by 350 in 1989. The lack of profits encouraged the long-term trend of dealership consolidation.

There are 4,500 fewer dealer principals today than seven years ago, even though the number of dealerships is virtually the same. NADA figures indicate that the nation's 24,575 dealerships are owned by 15,000 dealer principals. In 1979, NADA estimated that 24,725 dealerships were controlled by 19,500 dealer principals.

The two graphics on this page further illustrate that the multiple-dealership operator has become the rule rather than the exception. More than half of all dealerships are currently part of a chain (if "chain" is used in its least restrictive sense to mean two or more dealerships) and more than 30 percent of all dealerships are part of a four-or-more dealership chain.

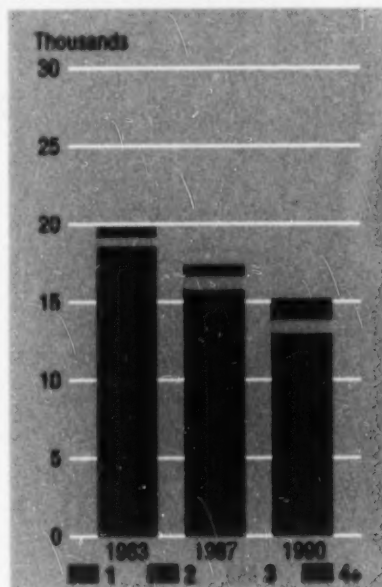
NUMBER OF FRANCHISED NEW-CAR DEALERSHIPS

As of beginning of year

1980	27,900
1981	26,350
1982	25,700
1983	24,725
1984	24,725
1985	24,725
1986	24,825
1987	25,150
1988	24,950
1989	24,925
1990	24,575

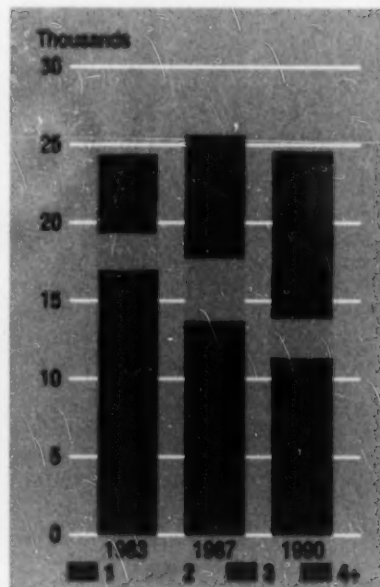
DISTRIBUTION OF DEALER PRINCIPALS

By number of dealerships they control



DISTRIBUTION OF DEALERSHIPS

By number of dealerships in group



ESTIMATED NUMBER OF FRANCHISED NEW-CAR DEALERSHIPS

By state as of January 1, 1990

Alabama	405	Montana	160
Alaska	35	Nebraska	260
Arizona	230	Nevada	80
Arkansas	325	New Hampshire	180
California	1,915	New Jersey	770
Colorado	290	New Mexico	145
Connecticut	385	New York	1,415
Delaware	70	North Carolina	775
D.C.	10	North Dakota	140
Florida	970	Ohio	1,130
Georgia	665	Oklahoma	400
Hawaii	65	Oregon	305
Idaho	130	Pennsylvania	1,495
Illinois	1,225	Rhode Island	105
Indiana	665	South Carolina	350
Iowa	515	South Dakota	145
Kansas	360	Tennessee	455
Kentucky	370	Texas	1,455
Louisiana	360	Utah	145
Maine	200	Vermont	105
Maryland	375	Virginia	660
Massachusetts	615	Washington	370
Michigan	895	West Virginia	245
Minnesota	550	Wisconsin	690
Mississippi	295	Wyoming	80
Missouri	595	Total U.S.	24,575

Source: NADA Industry Analysis Division

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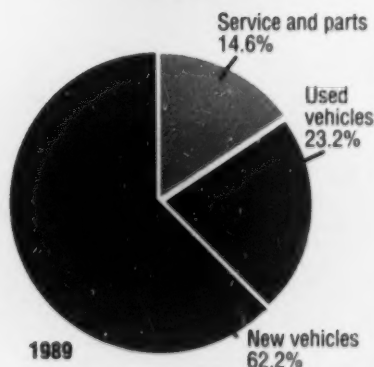
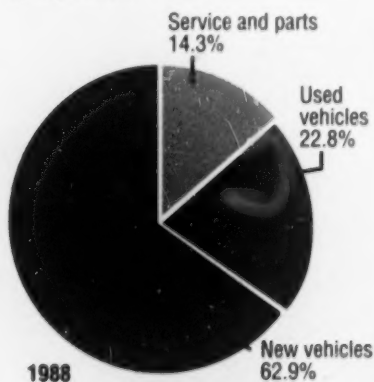
TOTAL DEALERSHIP SALES DOLLARS

Total dollar sales of all franchised new-car dealerships reached a record \$304 billion in 1989, an increase of less than 1 percent from 1988. The past year's weak new-vehicle market was the main reason for such a modest sales gain. The charts below show that service and parts accounted for 14.6 percent of total dealership sales, the highest percentage since the 1982 recession.

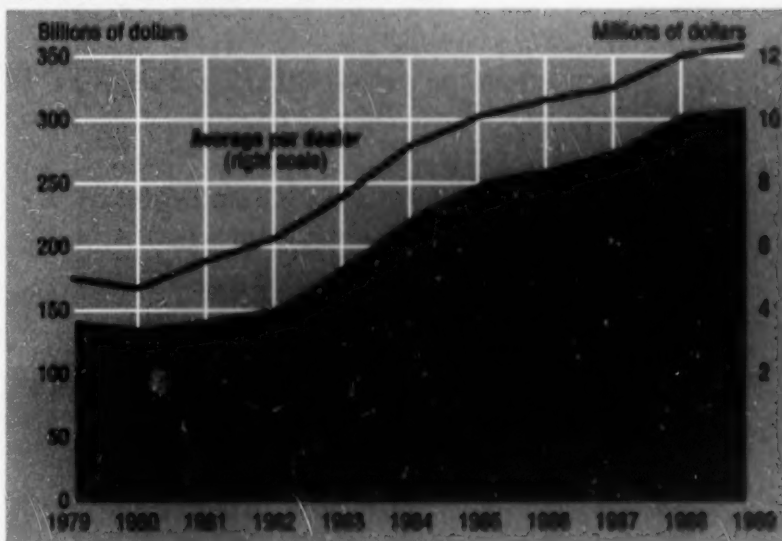
The chart to the bottom right shows that the average dealership size varies significantly among the states. Seven states had average dealership sales of less than \$7 million, while eight states had average dealership sales in excess of \$15 million.

SHARE OF TOTAL DEALERSHIP SALES DOLLARS

By department



TOTAL SALES OF FRANCHISED NEW-CAR DEALERS



Source: U.S. Department of Commerce and NADA Industry Analysis

1989 TOTAL SALES BY STATE

State	All dealers (\$ millions)	Average per dealer (\$ thousands)	State	All dealers (\$ millions)	Average per dealer (\$ thousands)
Alabama	4,118	10,167	Montana	906	5,664
Alaska	549	15,689	Nebraska	1,811	6,965
Arizona	4,216	18,329	Nevada	1,624	20,300
Arkansas	2,599	7,998	New Hampshire	1,717	9,541
California	36,379	18,997	New Jersey	10,655	13,838
Colorado	4,316	14,883	New Mexico	1,568	10,816
Connecticut	4,810	12,494	New York	15,840	11,194
Delaware	1,156	16,508	North Carolina	8,141	10,505
D.C.	141	14,095	North Dakota	830	5,927
Florida	20,816	21,460	Ohio	13,377	11,838
Georgia	6,507	12,793	Oklahoma	3,843	9,607
Hawaii	1,265	19,458	Oregon	3,598	11,795
Idaho	1,064	8,183	Pennsylvania	14,041	9,392
Illinois	14,421	11,772	Rhode Island	1,065	10,143
Indiana	6,843	10,291	South Carolina	3,707	10,593
Iowa	3,324	6,455	South Dakota	823	5,673
Kansas	2,977	8,268	Tennessee	6,562	14,422
Kentucky	3,504	9,469	Texas	21,273	14,620
Louisiana	4,260	11,889	Utah	1,580	10,897
Maine	1,626	8,131	Vermont	729	6,940
Maryland	6,914	18,436	Virginia	8,260	12,545
Massachusetts	8,321	13,530	Washington	4,921	13,300
Michigan	12,632	14,114	West Virginia	1,795	7,326
Minnesota	5,025	9,137	Wisconsin	6,034	8,745
Mississippi	2,309	7,828	Wyoming	494	6,176
Missouri	6,928	11,643	Total U.S.	304,253	12,293

Source: NADA Industry Analysis Division

RELATIONSHIP OF FRANCHISED NEW-CAR DEALERS TO TOTAL RETAIL TRADE

	Number of dealers as % of total retail establishments in the state	Dealer sales as % of total retail sales in the state	Dealer payroll as % of total retail payroll in the state	Dealer employees as % of total retail employment in the state
Alabama	1.9	16.6	11.7	4.6
Alaska	1.1	13.0	8.9	3.7
Arizona	1.3	16.6	13.1	4.8
Arkansas	2.4	19.1	11.9	5.2
California	1.3	17.0	13.3	4.6
Colorado	1.4	17.9	13.4	4.9
Connecticut	1.9	16.4	12.3	4.7
Delaware	1.6	19.9	14.4	5.6
D.C.	0.3	3.5	3.1	1.1
Florida	1.2	21.2	14.2	5.0
Georgia	1.8	18.2	13.3	4.8
Hawaii	1.0	13.4	10.2	3.6
Idaho	2.1	18.6	15.4	6.0
Illinois	2.0	18.2	12.8	4.5
Indiana	2.1	18.3	12.9	4.7
Iowa	2.7	18.9	14.4	5.4
Kansas	2.3	19.0	14.4	5.4
Kentucky	1.9	15.8	11.8	4.6
Louisiana	1.6	15.7	11.8	4.9
Maine	2.3	16.1	11.4	5.0
Maryland	1.4	19.7	14.8	5.3
Massachusetts	1.7	16.2	11.7	4.2
Michigan	1.8	19.4	14.2	4.9
Minnesota	2.1	15.4	11.8	4.2
Mississippi	2.0	17.4	13.0	5.3
Missouri	2.0	20.2	14.5	5.2
Montana	2.4	17.8	13.7	5.8
Nebraska	2.4	18.3	14.0	5.2
Nevada	1.3	19.0	14.0	5.3
New Hampshire	2.2	14.8	11.5	4.3
New Jersey	1.7	17.4	11.6	4.3
New Mexico	1.8	16.9	13.2	5.2
New York	1.4	12.9	8.8	3.5
North Carolina	1.9	18.4	13.6	5.1
North Dakota	2.8	19.0	16.2	6.2
Ohio	1.9	19.0	13.9	5.2
Oklahoma	2.1	20.5	14.1	5.6
Oregon	1.8	18.3	14.2	5.8
Pennsylvania	2.2	17.1	12.9	5.1
Rhode Island	1.7	14.4	10.0	3.9
South Carolina	1.7	16.7	12.8	4.9
South Dakota	2.7	19.1	16.3	6.0
Tennessee	1.8	21.1	15.3	5.6
Texas	1.6	18.6	13.2	5.0
Utah	1.9	16.1	12.2	4.9
Vermont	2.2	15.4	11.9	4.8
Virginia	1.9	18.2	15.3	5.6
Washington	1.4	15.5	12.8	4.7
West Virginia	2.6	17.0	13.3	6.0
Wisconsin	2.3	17.6	14.0	5.2
Wyoming	2.4	16.8	14.6	5.7
Total U.S.	1.8	17.5	12.9	4.9

Source: NADA Industry Analysis

THE NEW-VEHICLE DEPARTMENT

New-vehicle sales fell 6 percent in 1989, but at 14.8 million, this is the seventh-best year ever. During the past six years, more than 92 million new units have been sold; the average is 15.4 million units a year.

Light-duty truck, van, and sport-utility sales helped capture a record 33 percent of the new-vehicle market.

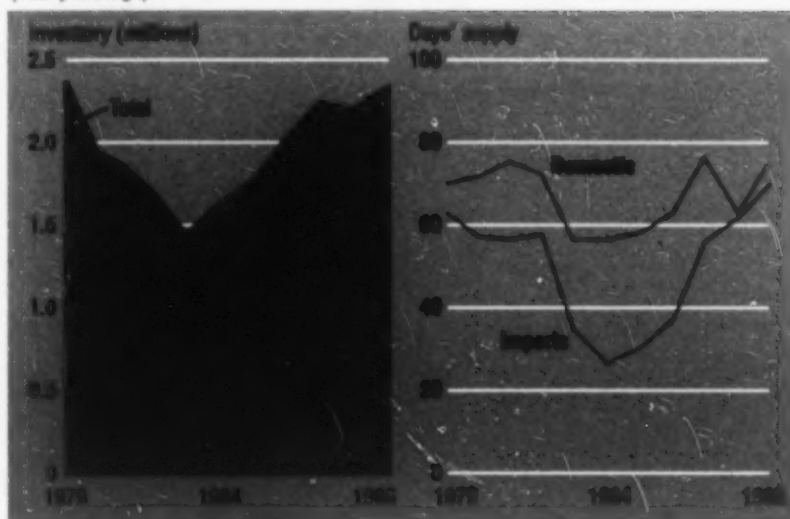
New-car market share by automaker shows General Motors losing share for the fifth consecutive year in 1989. Honda increased market share for the sixth consecutive year.

The weak new-car market and automaker overcapacity sent dealer inventories soaring. Domestic new-car days' supply rose from 63 in 1988 to 72 in 1989. Import new-car days' supply rose from 62 to 70. This rise in inventories contributed significantly to the dealers' shrinking profit margin.

Monthly sales, on a seasonally adjusted annual basis (chart, lower right), were highest during the model-year closeout in August and September. But heavy incentives during this period stole sales from the fourth quarter. Seasonally adjusted sales ran at an annual rate of only 8.7 million in October, November, and December.

The chart on the next page (upper right) shows that the average selling price of a new vehicle rose 7 percent in 1989. The selling-price figures represent actual transactions during the calendar year, include all accessories and options sold with the vehicle, and in no way attempt to control for quality or model-mix changes.

NEW-CAR INVENTORIES AND DAYS' SUPPLY (Yearly average)



Source: Ward's Automotive Reports

NEW-CAR SALES BY MONTH

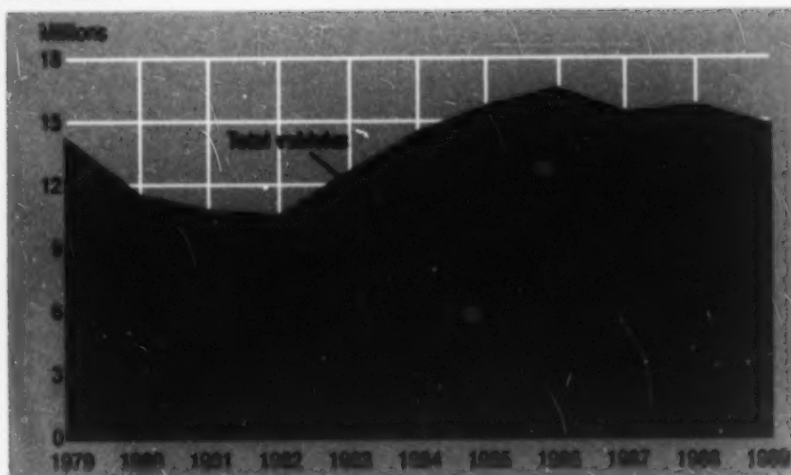
Seasonally adjusted annual rate

	1989 Actual	1989 SAAR* (in millions)	1988 Actual	1988 SAAR* (in millions)	% Change 1988-1989
January	722,600	9.9	765,500	10.8	-5.6%
February	755,100	9.9	888,000	11.1	-15.0%
March	880,500	9.6	1,007,000	10.8	-12.6%
April	913,600	10.8	901,700	10.6	1.3%
May	973,800	10.3	974,500	10.6	-0.1%
June	900,000	9.8	1,010,100	10.9	-10.9%
July	849,800	10.3	863,700	10.6	-1.6%
August	974,500	11.4	886,400	10.5	9.9%
September	841,300	10.7	830,700	10.2	1.3%
October	748,900	8.8	838,500	9.9	-10.7%
November	687,200	8.5	790,400	10.0	-13.1%
December	655,700	8.9	882,300	11.4	-25.7%
Full Year	9,903,000	9.9	10,638,800	10.6	-6.9%

*Seasonally adjusted annual rate
Source: NADA Industry Analysis

NEW-VEHICLE SALES

Annual totals



Source: Ward's Automotive Reports

NUMBER OF NEW VEHICLES SOLD PER DEALERSHIP AND AVERAGE SELLING PRICE PER VEHICLE

Year	New vehicles sold	Average retail selling price
1979	488	\$ 6,950
1980	413	7,530
1981	406	8,850
1982	411	9,910
1983	490	10,725
1984	575	11,100
1985	623	11,925
1986	642	12,950
1987	597	13,450
1988	622	14,100
1989	589	15,100

Source: NADA Industry Analysis

MARKET PENETRATION

Share of total U.S. new-car sales

Year	AMC	Chrysler	Ford	General Motors	Volkswagen	Nissan	Honda	Toyota	Other Imports	Total
1979	162,057 1.52%	1,080,258 10.13%	2,218,477 20.81%	4,931,726 46.26%	295,293 2.77%	472,252 4.43%	353,291 3.31%	507,816 4.76%	639,181 6.00%	10,660,351
1980	177,732 1.98%	786,922 8.77%	1,543,826 17.20%	4,116,482 45.86%	269,466 3.00%	516,890 5.76%	375,388 4.18%	582,195 6.49%	607,228 6.76%	8,976,129
1981	167,759 1.97%	840,813 9.85%	1,413,456 16.56%	3,796,696 44.49%	244,910 2.87%	464,806 5.45%	370,705 4.34%	576,491 6.76%	657,439 7.70%	8,533,075
1982	150,135 1.88%	793,930 9.95%	1,345,698 16.86%	3,515,660 44.06%	159,529 2.00%	470,246 5.89%	365,865 4.59%	530,246 6.65%	648,033 8.12%	7,979,342
1983	226,712 2.47%	951,191 10.36%	1,571,321 17.11%	4,053,561 44.15%	162,090 1.77%	521,902 5.68%	401,072 4.37%	555,766 6.05%	738,456 8.04%	9,182,071
1984	202,570 1.95%	1,078,716 10.38%	1,979,317 19.05%	4,600,512 44.28%	177,322 1.71%	485,298 4.67%	508,420 4.89%	557,982 5.37%	800,228 7.70%	10,390,365
1985	123,449 1.12%	1,245,149 11.28%	2,079,366 18.83%	4,692,318 42.49%	218,232 1.98%	575,166 5.21%	552,389 5.00%	620,043 5.62%	936,003 8.48%	11,042,115
1986	72,849 0.64%	1,308,991 11.42%	2,080,822 18.16%	4,693,161 40.95%	217,206 1.90%	553,849 4.83%	693,515 6.05%	640,185 5.59%	1,198,931 10.46%	11,459,509
1987	NA NA	1,096,385 10.68%	2,060,834 20.07%	3,728,313 36.30%	191,705 1.87%	576,663 5.61%	738,306 7.19%	628,662 6.12%	1,249,676 12.17%	10,270,544
1988	NA NA	1,191,294 11.20%	2,289,764 21.53%	3,822,015 35.94%	169,470 1.59%	513,823 4.83%	768,985 7.23%	688,883 6.48%	1,190,124 11.19%	10,634,358
1989	NA NA	1,019,693 10.30%	2,177,866 21.99%	3,437,086 34.71%	133,646 1.35%	530,792 5.36%	783,102 7.91%	723,659 7.31%	1,097,152 11.08%	9,902,996
Average 1979-89	NA NA	1,037,365 10.46%	1,858,288 18.75%	4,195,044 42.32%	210,522 2.12%	515,090 5.20%	512,794 5.17%	588,827 5.94%	866,530 8.74%	9,912,786

Source: NADA Industry Analysis

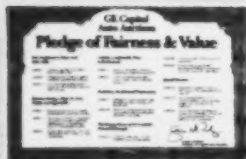
"In 1990, we're building your bottom line up."



By giving you superior service, fair and consistent policies, maximum value.

Because we believe that paying attention to your bottom line—making your business more profitable—helps us both compete. And win.

So, we introduced the GE Capital Auto Auction *Pledge of Fairness & Value*. An auction customer's Bill of Rights.



You asked for auctioneering that's fair to both buyer and seller alike. You asked for fast and efficient transactions. You asked for fair and

consistent arbitration.

You asked for a program to ensure that only wholesale customers use our sales. You asked GE Capital Auto Auctions to help build up your bottom line.

Done.

Exactly what you'd expect from the leader.

If you'd like a personal presentation of how to use our auctions to your best bottom line potential, just ask. Call our VP of Sales to arrange a personal presentation at your offices—or a special VIP Visit to the GE Capital Auto Auction nearest you.

Leading the industry through a world of change.

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GE Capital
Auto Auctions

The GE Capital
Auto Auction Network:
Where the top dollar meets the bottom line.

CALIFORNIA: LA Dealers (Los Angeles)
Southern Cal (Pomona)
Bay Cities (Hayward)
COLORADO: Denver (Denver)

FLORIDA: St. Pete (St. Petersburg)
Greater Tampa Bay (Tampa)
GEORGIA: Georgia Dealers (Atlanta)
ILLINOIS: Greater Chicago (Chicago)

MINNESOTA: Minneapolis (Minneapolis)
MISSOURI: St. Louis (St. Louis)
NEW YORK: New York (New York)
OHIO: Ohio Dealers (Columbus)

OREGON: Portland (Portland)
SOUTH CAROLINA: Charleston (Charleston)
TEXAS: San Antonio (San Antonio)
FL. South Ft. Worth

TEXAS: Texas Valley (Houston)
UTAH: Utah (Salt Lake City)
WISCONSIN: Milwaukee (Milwaukee)
WASHINGTON: Seattle (Seattle)

Number 21 on the reader service card

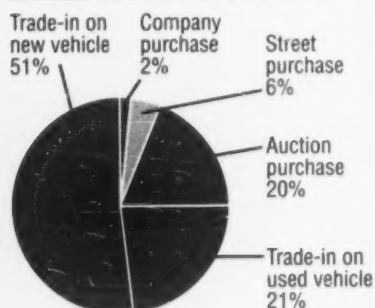
THE USED-VEHICLE DEPARTMENT

Franchised new-car dealers sold an estimated 14.7 million used vehicles in 1989. Of these, 9.1 million were re-tailed and 5.6 million were wholesaled.

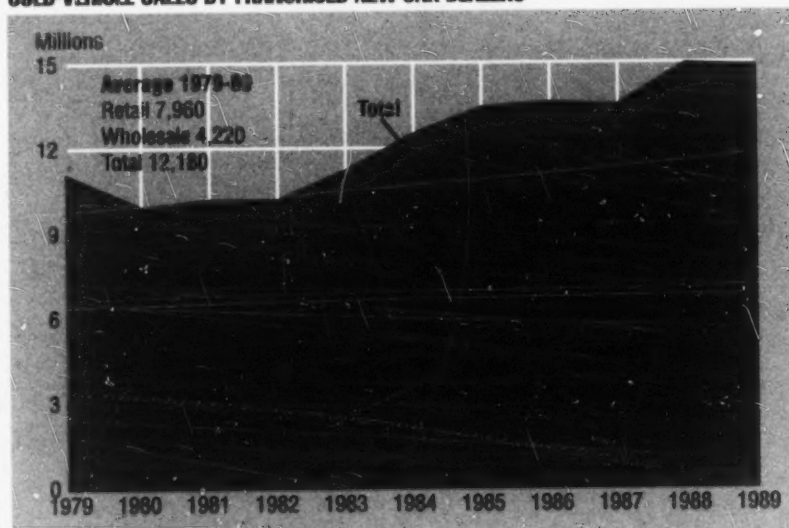
Franchised dealers obtained 72 percent of used units retailed from trade-ins and 20 percent (an all-time high) from auctions. Rental company buy-backs contributed to increased auction purchases. This increase in nearly new units retailed through the dealer's used-vehicle department explains part of the 15 percent increase in average selling price that has occurred during the past two years.

In 1989, the used-vehicle department accounted for 23 percent of the average dealership's total sales and 27 percent of total profits.

SOURCE OF USED CARS RETAILED BY FRANCHISED DEALERS

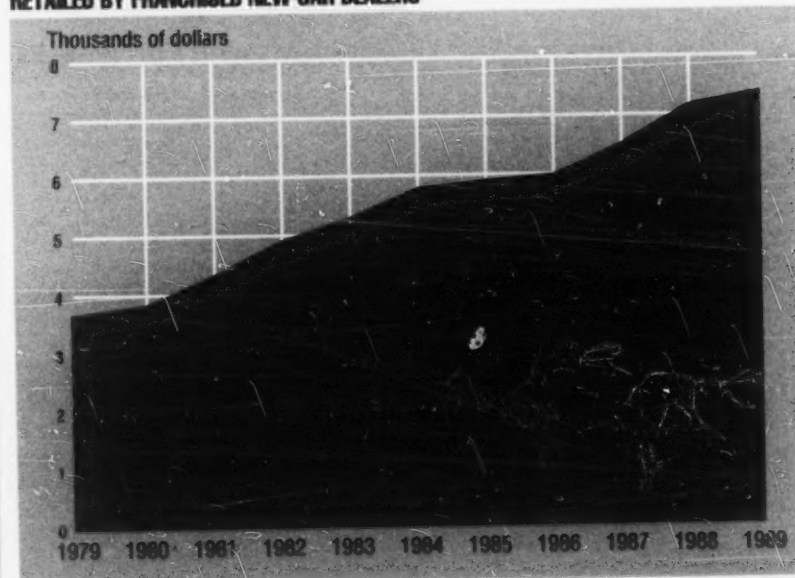


USED-VEHICLE SALES BY FRANCHISED NEW-CAR DEALERS



Source: NADA Industry Analysis

AVERAGE SELLING PRICE OF USED VEHICLES RETAILED BY FRANCHISED NEW-CAR DEALERS



Source: NADA Industry Analysis

ROTUNDA EQUIPMENT = CUSTOMER SATISFACTION

TALK TO US
ABOUT...

1-800-762-6181



Rotunda 

Talk To Us About Equipment

THE SERVICE AND PARTS DEPARTMENT

In 1989, franchised dealers had a record \$44.4 billion in service and parts sales. Since 1985, high vehicle sales, extended automaker warranties, and increased service-contract sales contributed to the 48 percent rise.

As shown below, dealers make a substantial investment in service and parts. In 1989, franchised dealers provided 346,000 service stalls, employed 236,000 technicians, and carried a parts inventory of nearly \$6 billion. In 1989, service and parts accounted for 15 percent of the average dealership's total sales and 64 percent of total profits.

DEALERS' SERVICE AND PARTS SALES

(Millions of dollars)

	1988	1989	Change
Service Labor Sales			
Customer mechanical	7,497	7,873	5.0%
Customer body	2,892	2,894	0.1%
Warranty	2,892	2,950	2.0%
Sublet	1,805	1,804	-0.1%
Internal	2,266	2,180	-3.8%
Other	1,068	1,090	2.0%
Total service labor	18,419	18,790	2.0%
Parts Sales			
Customer mechanical	6,254	6,767	8.2%
Customer body	2,333	2,307	-1.1%
Wholesale	7,644	7,869	2.9%
Counter	1,588	1,717	8.1%
Warranty	3,897	4,127	5.9%
Internal	2,234	2,025	-9.3%
Other	869	820	-5.6%
Total Parts	24,819	25,631	3.3%
Total Service & Parts	\$43,238	\$44,421	2.7%

Source: NADA Industry Analysis Division

DEALERS' TOTAL SERVICE AND PARTS SALES

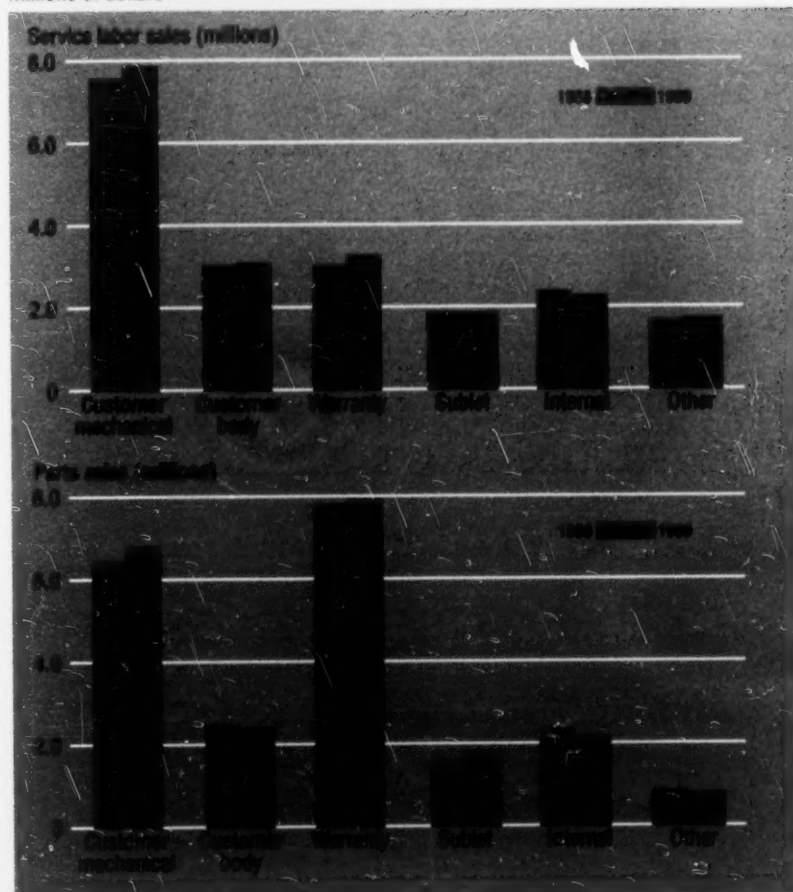
(Billions of dollars)

	Amount	Change
1979	23.142	13.1%
1980	22.703	-1.9%
1981	23.116	1.8%
1982	24.447	5.8%
1983	26.461	8.2%
1984	30.044	13.5%
1985	32.461	8.0%
1986	34.611	6.6%
1987	39.555	14.3%
1988	43.238	9.3%
1989	44.421	2.7%

Source: NADA Industry Analysis

DEALERS' SERVICE AND PARTS SALES

Millions of dollars



Source: NADA Industry Analysis

PROFILE OF THE FRANCHISED DEALER'S SERVICE AND PARTS OPERATION

	Average dealership	All dealers
Total service and parts sales	\$1,794,785	\$44.4 billion
Total gross profit as percent of service and parts sales	39.4%	
Total net profit as percent of service and parts sales	3.8%	
Total number of repair orders written	7,800	195 million
Total service and parts sales per customer repair order	\$190	
Total service and parts sales per warranty repair order	\$140	
Number of mechanics	10	236,000
Number of service bays (excluding body)	14	346,000
Total parts inventory	\$240,000	\$5.9 billion
Average customer mechanical labor rate	\$36	

Source: NADA Industry Analysis

EMPLOYMENT AND PAYROLLS

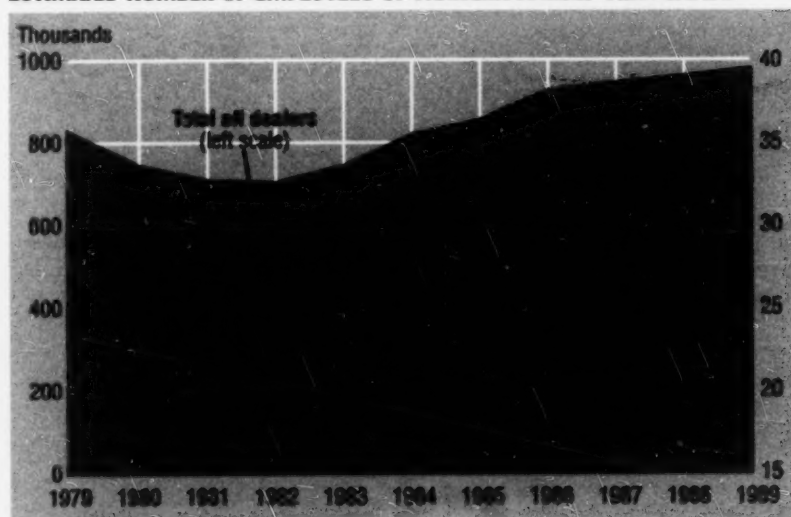
Dealerships are often one of the major employers in local communities. Consequently, increases in dealer payrolls have been a significant factor behind the economy's growth these past seven years. In 1983, there were an estimated 749,000 employees working in franchised new-car dealerships. By 1989, employment had increased by 28 percent to 955,000 employees.

The number and type of employees varies significantly among dealerships depending on dealership characteristics such as size, location, makes handled, and the distribution of sales among departments. It is estimated that the total employment count of dealerships in 1989 was distributed as follows:

New- and used-vehicle salespeople	183,000
Technicians	236,000
Service and parts workers (other than technicians)	275,000
Supervisors, general office workers, and others	261,000
Total	955,000

The average dealership in 1989 employed 39 persons and had an annual payroll of \$1 million. The annual payroll of all dealerships totaled \$24.8 billion and represents 12.9 percent of the total retail trade payroll in the nation.

ESTIMATED NUMBER OF EMPLOYEES OF FRANCHISED NEW-CAR DEALERS



Source: NADA Industry Analysis

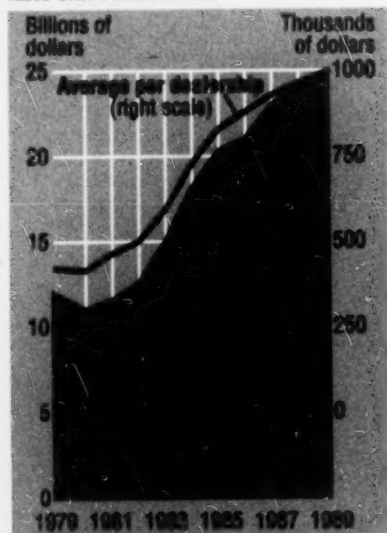
ESTIMATED NUMBER OF EMPLOYEES OF FRANCHISED NEW-CAR DEALERS

1989 averages by state

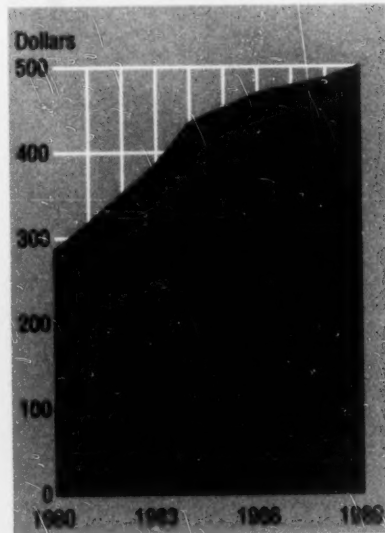
	Total number all dealers	Average number per dealer		Total number all dealers	Average number per dealer
Alabama	13,000	32	Montana	3,600	22
Alaska	1,600	47	Nebraska	6,500	25
Arizona	14,200	62	Nevada	5,100	63
Arkansas	8,200	25	New Hampshire	5,300	30
California	111,000	58	New Jersey	28,900	38
Colorado	14,400	50	New Mexico	5,700	40
Connecticut	15,100	39	New York	46,200	33
Delaware	3,700	52	North Carolina	25,700	33
D.C.	600	61	North Dakota	3,200	23
Florida	57,600	59	Ohio	43,800	39
Georgia	26,000	39	Oklahoma	12,300	31
Hawaii	4,000	62	Oregon	12,900	42
Idaho	4,100	32	Pennsylvania	47,700	32
Illinois	41,600	34	Rhode Island	3,300	31
Indiana	21,300	32	South Carolina	12,400	35
Iowa	11,700	23	South Dakota	3,100	21
Kansas	10,300	29	Tennessee	20,200	44
Kentucky	12,300	33	Texas	64,000	44
Louisiana	15,500	43	Utah	5,700	39
Maine	5,600	28	Vermont	2,500	24
Maryland	22,200	59	Virginia	28,400	43
Massachusetts	24,900	40	Washington	17,000	46
Michigan	36,900	41	West Virginia	7,200	29
Minnesota	16,100	29	Wisconsin	20,800	30
Mississippi	8,300	28	Wyoming	2,000	25
Missouri	21,300	36	Total U.S.	955,000	39

Source: NADA Industry Analysis

ANNUAL PAYROLL OF FRANCHISED NEW-CAR DEALERSHIPS



AVERAGE WEEKLY EARNINGS OF DEALERSHIP EMPLOYEES



AVERAGE WEEKLY EARNINGS OF FRANCHISED NEW-CAR DEALERS' EMPLOYEES IN 1989

Alabama.....	\$550	Montana.....	\$385
Alaska.....	610	Nebraska.....	410
Arizona.....	510	Nevada.....	560
Arkansas.....	385	New Hampshire.....	550
California.....	600	New Jersey.....	575
Colorado.....	500	New Mexico.....	420
Connecticut.....	565	New York.....	525
Delaware.....	485	North Carolina.....	470
D.C.....	545	North Dakota.....	410
Florida.....	530	Ohio.....	460
Georgia.....	510	Oklahoma.....	420
Hawaii.....	525	Oregon.....	455
Idaho.....	420	Pennsylvania.....	445
Illinois.....	520	Rhode Island.....	480
Indiana.....	455	South Carolina.....	445
Iowa.....	415	South Dakota.....	415
Kansas.....	440	Tennessee.....	480
Kentucky.....	415	Texas.....	485
Louisiana.....	410	Utah.....	405
Maine.....	440	Vermont.....	465
Maryland.....	535	Virginia.....	510
Massachusetts.....	540	Washington.....	520
Michigan.....	530	West Virginia.....	375
Minnesota.....	465	Wisconsin.....	430
Mississippi.....	410	Wyoming.....	445
Missouri.....	490	Total U.S.....	500

Source: NADA Industry Analysis

ANNUAL PAYROLL OF FRANCHISED NEW-CAR DEALERSHIPS

1989 year by state

	Total of all dealerships (\$ millions)	Average per dealership (\$ thousands)
Alabama.....	300	750
Alaska.....	50	1,500
Arizona.....	380	1,640
Arkansas.....	160	500
California.....	3,450	1,800
Colorado.....	370	1,290
Connecticut.....	440	1,150
Delaware.....	90	1,310
D.C.....	20	1,730
Florida.....	1,590	1,640
Georgia.....	690	1,040
Hawaii.....	110	1,700
Idaho.....	90	700
Illinois.....	1,130	920
Indiana.....	510	760
Iowa.....	250	490
Kansas.....	240	660
Kentucky.....	260	710
Louisiana.....	330	920
Maine.....	130	640
Maryland.....	620	1,660
Massachusetts.....	700	1,130
Michigan.....	1,020	1,140
Minnesota.....	390	710
Mississippi.....	180	600
Missouri.....	540	910
Montana.....	70	450
Nebraska.....	140	530
Nevada.....	150	1,840
New Hampshire.....	150	850
New Jersey.....	860	1,120
New Mexico.....	130	870
New York.....	1,260	890
North Carolina.....	630	820
North Dakota.....	70	480
Ohio.....	1,040	920
Oklahoma.....	270	670
Oregon.....	310	1,000
Pennsylvania.....	1,110	740
Rhode Island.....	80	780
South Carolina.....	290	820
South Dakota.....	70	460
Tennessee.....	500	1,110
Texas.....	1,620	1,110
Utah.....	120	830
Vermont.....	60	580
Virginia.....	750	1,140
Washington.....	460	1,250
West Virginia.....	140	570
Wisconsin.....	460	670
Wyoming.....	50	570
Total U.S.....	24,830	1,000

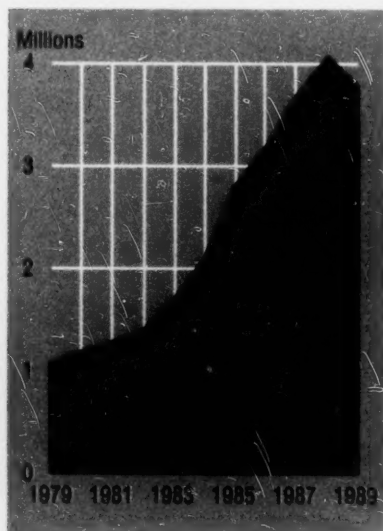
ADVERTISING AND THE FRANCHISED DEALERSHIP

Franchised new-car dealers spent \$3.8 billion on advertising in 1989—a decline of 6 percent from 1988. This was the first time since the 1975 recession that total dealer advertising declined.

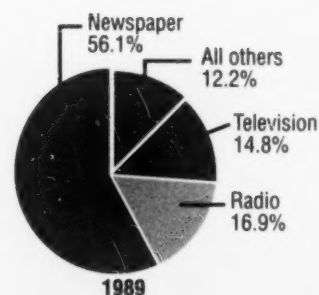
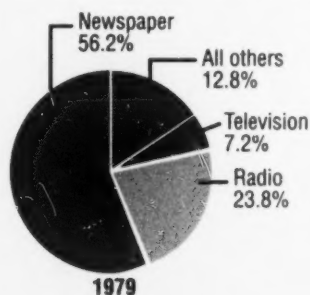
But as shown in the "Dealership Advertising" chart (middle, right), advertising per new unit sold remained at a record \$261 per vehicle. And for the most part, these advertising totals do not include mandatory fees that many dealers pay to automaker/dealer ad associations.

During the past 10 years, dealers have increased television advertising: in 1989, 15 percent of the average dealership's ad expenditures were for TV versus 7 percent in 1979.

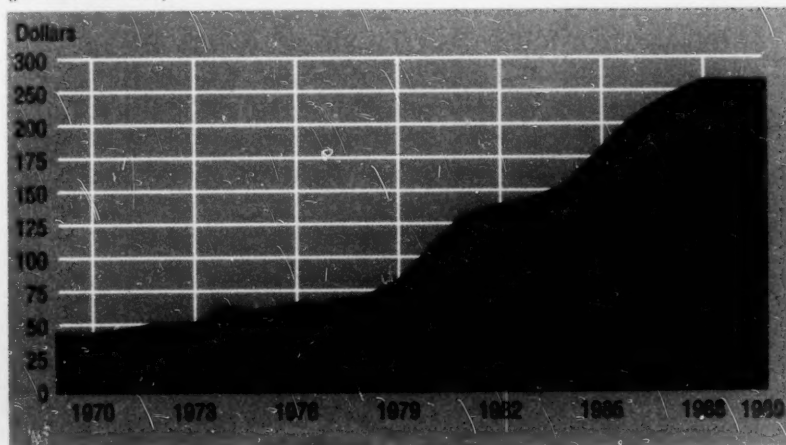
**TOTAL FRANCHISED DEALERSHIP
ADVERTISING EXPENDITURES**
(in millions)



ADVERTISING EXPENDITURES BY MEDIA



TOTAL DEALERSHIP ADVERTISING
(per new unit sold)



ESTIMATED ADVERTISING EXPENSES PER DEALER IN 1989

Dealers classified by the number of new units sold in 1989

By media used	Average of all dealers	1-149	150-399	400-749	750 or more
Newspapers	\$86,205	\$19,465	\$47,318	\$39,726	\$219,780
Radio	25,969	10,094	17,222	28,155	55,044
TV	22,742	2,496	8,026	19,492	72,072
Direct mail	9,527	1,628	4,932	8,818	26,928
Displays & demos	5,225	1,158	3,177	4,796	13,068
Other	3,995	1,339	2,925	3,713	9,108
Total	\$153,663	\$36,180	\$83,600	\$154,700	\$396,000
Total advertising as a % of total sales	1.25%	1.08%	1.10%	1.19%	1.32%
Total advertising per new vehicle sold	\$261	\$268	\$279	\$276	\$255

Source: NADA Industry Analysis

VEHICLES IN OPERATION AND SCRAPPAGE

On January 1, 1990, there were 174 million vehicles in operation. During the past 10 years, the car population increased by 22 percent and the truck fleet by 28 percent. But the growth rate of vehicles in operation during the eighties has been modest compared with the rates in the sixties and seventies.

Scrappage—the difference between sales and the increase in vehicles in operation—declined 2 percent. Scrappage as a percent of new-vehicle registrations rose from 68 percent in 1988 to 70 percent in 1989.

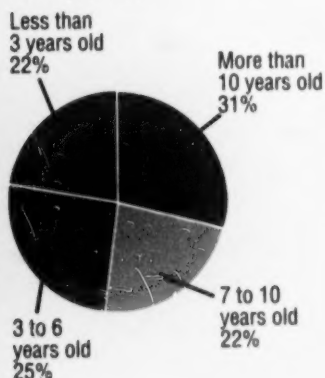
VEHICLES AND POPULATION

Year	Estimated population in U.S. (as of 1/1) (millions)	Estimated vehicles in operation (as of 1/1) (millions)	Persons per vehicle
1910	92.6	0.6	154.3
1920	106.8	9.0	11.9
1930	123.4	23.5	5.2
1940	132.1	28.4	4.7
1950	151.1	41.7	3.6
1960	179.4	66.4	2.7
1970	203.8	98.1	2.1
1980	226.4	144.5	1.6
1985	237.5	156.1	1.5
1990	248.6	178.2	1.4
1995	258.6	194.1	1.3
2000	267.2	210.2	1.3

Source: U.S. Bureau of the Census and NADA Industry Analysis

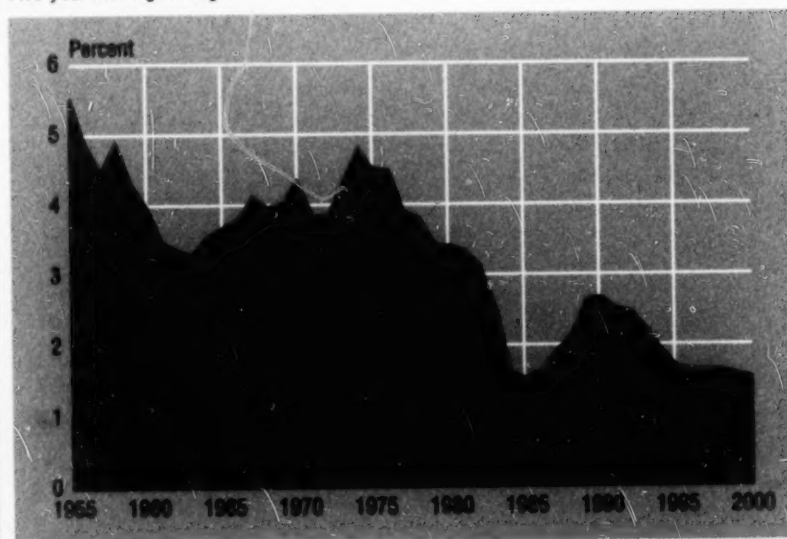
AGE DISTRIBUTION OF CARS IN OPERATION

January 1, 1990

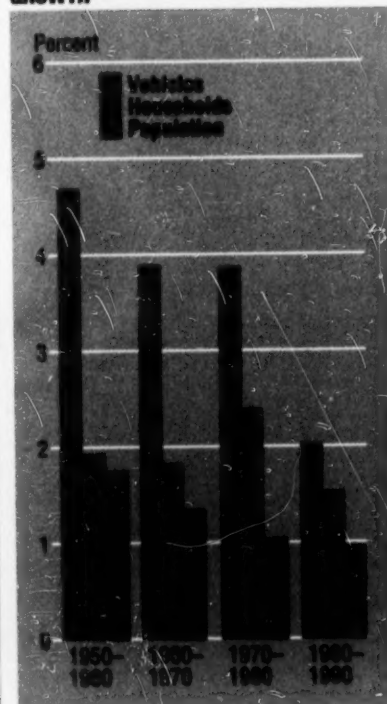


GROWTH RATE OF VEHICLES IN OPERATION

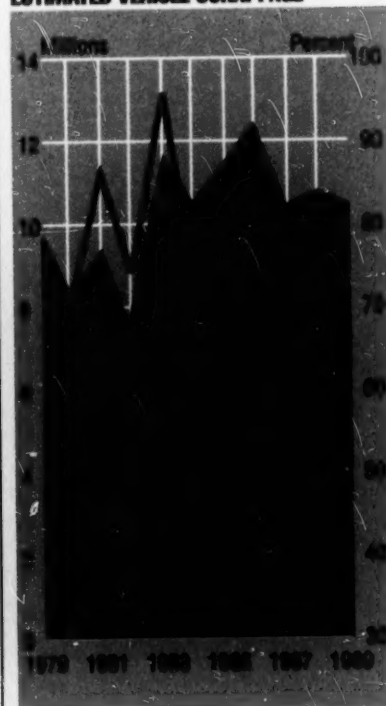
Five-year moving average



COMPOUND ANNUAL RATES OF GROWTH



ESTIMATED VEHICLE SCRAPPAGE



GMAC

QUALITY FINANCIAL SERVICES

Customer Services

- ☒ Quality Finance Plan
- ☒ SMARTLEASESM
- ☒ Flexible Finance Plan
- ☒ Customer Payment Plan
- ☒ Buyer's Choice Plan
- ☒ College Graduate Finance Plan
- ☒ Recreational Vehicle Finance Plan
- ☒ Deferred Payment Plan
- ☒ ELECTROCHEK[®] Payment Plan
- ☒ Extension & Renewal Plans
- ☒ Mechanical Repair Protection Plan
- ☒ Credit Life and Disability Insurance

Dealer Services

- ☒ Wholesale Plans
- ☒ Demonstration Plans
- ☒ Leasing and Rental Plans
- ☒ Revolving Line of Credit
- ☒ Real Estate Loans
- ☒ Capital Loans
- ☒ Dealer Equipment Plan
- ☒ Finance & Insurance Training School
- ☒ Dealership Service Vehicle Financing
- ☒ Driveaway Collision Insurance
- ☒ Dealership Insurance
- ☒ Wholesale Insurance
- ☒ Truck Rental & Leasing and Van Pool Leasing Insurance
- ☒ Group Mechanical Service Contracts
- ☒ GMAC Demand NoteSM Program
- ☒ Fleet Financing
- ☒ SalesLineTM
- ☒ National Advertising Programs

CONSUMER CREDIT

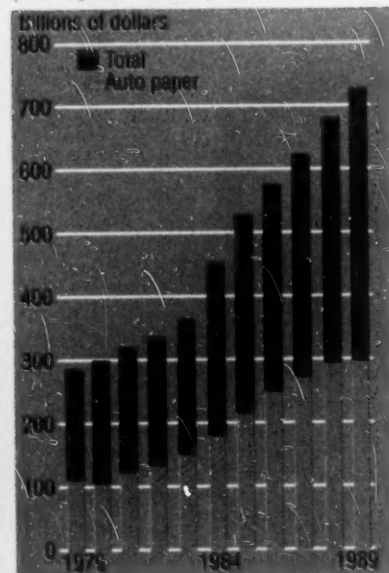
The average finance rate on new-car loans remained constant at finance companies in 1989 but jumped more than 1 percent for bank loans. Interest rates in general, as reflected by the prime rate, increased by 1.7 percent.

Total auto paper outstanding at the end of 1989 equaled \$291 billion, up 2 percent from 1988. The bottom-right chart indicates that loans outstanding at finance companies have declined. This is misleading because the figures exclude "pools of securitized assets" (auto loans on which securities have been issued are no longer carried on the balance sheets of the loan originators). Captive finance companies have been innovators in auto loan securitization since 1985. At the end of 1989, pools of securitized assets totaled more than \$18 billion.

AVERAGE MATURITY OF NEW-CAR LOANS AT FINANCE COMPANIES

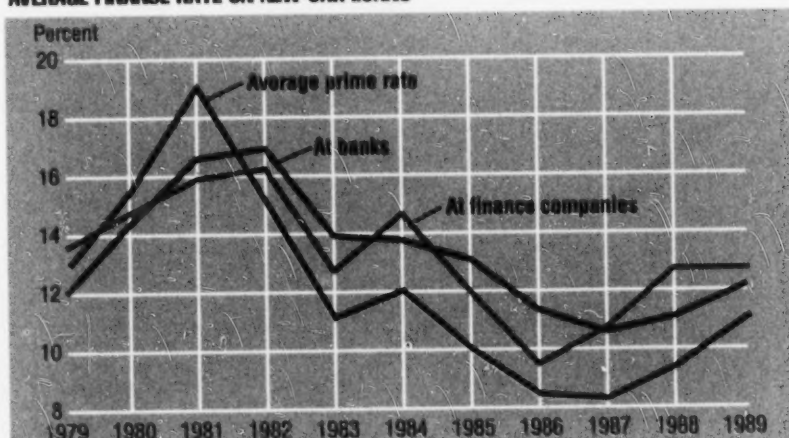
1970.....	34.7 months
1975.....	37.6 months
1980.....	44.7 months
1985.....	51.5 months
1986.....	50.0 months
1987.....	53.5 months
1988.....	56.2 months
1989.....	54.2 months

CONSUMER INSTALLMENT CREDIT OUTSTANDING (End of year; seasonally adjusted)



Source: Federal Reserve Board

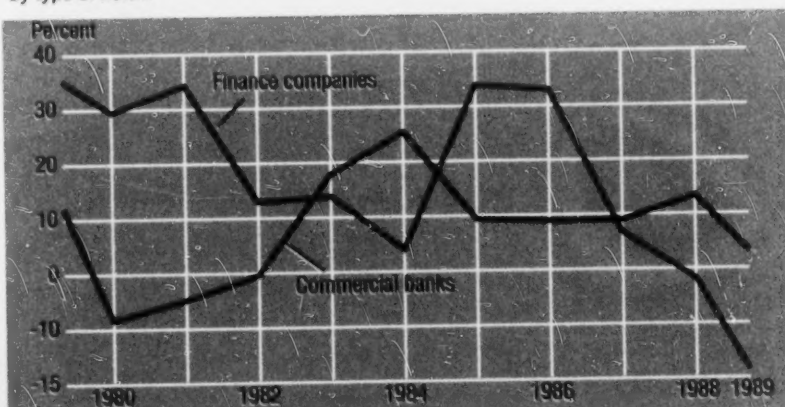
AVERAGE FINANCE RATE ON NEW-CAR LOANS



Source: Federal Reserve Board

Note: Bank series represents an average of direct 36-month loans for the period 1977-1982. For 1983 through 1989, the bank series represents the average of direct 48-month loans. The finance company series represents the average of all loans made.

PERCENT CHANGE IN AUTOMOBILE PAPER OUTSTANDING By type of holder



AUTOMOBILE PAPER OUTSTANDING BY TYPE OF LENDER

(End of year—Not seasonally adjusted—Millions of \$)

	Total	Commercial banks		Finance companies	
		Total \$ amount	% of total	Total \$ amount	% of total
1979	112,475	67,464	60.0	22,948	20.4
1980	111,936	61,557	55.0	29,503	26.4
1981	118,956	58,037	48.8	39,478	33.2
1982	124,218	57,747	46.5	44,298	35.7
1983	143,799	67,548	47.0	50,053	34.8
1984	173,704	83,900	48.3	52,251	30.1
1985	207,720	92,228	44.4	69,643	33.5
1986	247,313	101,282	41.0	92,556	37.4
1987	265,771	109,506	41.2	98,182	36.9
1988	284,328	123,392	43.4	97,245	34.2
1989	290,421	126,613	43.6	82,721	28.5

Source: Federal Reserve Board

NEW VEHICLE REGISTRATION TRENDS

IMPORT PASSENGER CAR MAKES PERSONAL CATEGORY

ANY CITY USA TR

JAN 1990	FEB 1990	MAR 1990
80	49	77
2	10	14
24	16	17
220	182	303
70	57	113
1	1	1
93	19	102
21	42	20
20	141	50
141	5	18
4	13	6
5	24	25
16	19	31
27	23	350
24	38	38
22	19	23
985	932	226
36.3	35.0	27
		26
		17
		40.2
		978
		1071
		379

28	ACURA	
21	AUDI	
22	BMW	
23	HONDA	
24	HYUNDAI	
25	ISUZU	
26	MAZDA	
27	MERCEDES	
28	MITSUBISHI	
29	NISSAN	
30	PORSCHE	
	SABARU	
	TOYOTA	
	VOLKSWAGEN	
	VOLVO	
	OTHER IMPORTS	
	TOTAL IMPORT CARS	
	% CAR INDUSTRY	

DOMESTIC PASSENGER CAR MAKES PERSONAL CATEGORY

ANY CITY US

BUICK
CADILLAC
CHEVROLET
CHRYSLER
DODGE
EAGLE
FORD

TOTAL REGISTRATIONS

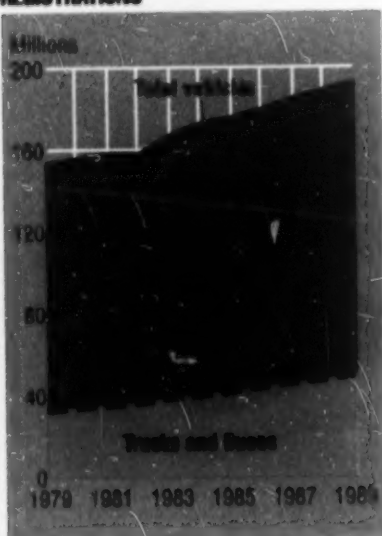
TOTAL U.S. MOTOR VEHICLE REGISTRATIONS IN 1989

	Autos	Trucks & buses	Total vehicles*		Autos	Trucks & buses	Total vehicles*
Alabama	3,065,000	1,010,000	4,075,000	Montana	438,000	295,000	733,000
Alaska	233,000	134,000	367,000	Nebraska	886,000	454,000	1,340,000
Arizona	1,993,000	792,000	2,785,000	Nevada	589,000	246,000	835,000
Arkansas	835,000	601,000	1,436,000	New Hampshire	774,000	202,000	976,000
California	16,799,000	4,858,000	21,657,000	New Jersey	5,384,000	510,000	5,894,000
Colorado	2,132,000	800,000	2,932,000	New Mexico	773,000	474,000	1,247,000
Connecticut	2,535,000	160,000	2,695,000	New York	8,861,000	1,323,000	10,184,000
Delaware	407,000	122,000	529,000	North Carolina	3,698,000	1,503,000	5,201,000
D.C.	252,000	16,000	268,000	North Dakota	388,000	274,000	662,000
Florida	9,014,000	2,364,000	11,378,000	Ohio	7,129,000	1,691,000	8,820,000
Georgia	3,802,000	1,583,000	5,385,000	Oklahoma	1,682,000	899,000	2,581,000
Hawaii	626,000	93,000	719,000	Oregon	1,815,000	552,000	2,367,000
Idaho	609,000	344,000	953,000	Pennsylvania	6,354,000	1,568,000	7,922,000
Illinois	6,579,000	1,512,000	8,091,000	Rhode Island	566,000	121,000	687,000
Indiana	3,115,000	1,150,000	4,265,000	South Carolina	1,849,000	625,000	2,474,000
Iowa	1,848,000	765,000	2,613,000	South Dakota	420,000	287,000	707,000
Kansas	1,543,000	694,000	2,237,000	Tennessee	3,509,000	873,000	4,382,000
Kentucky	1,887,000	954,000	2,841,000	Texas	8,523,000	4,042,000	12,565,000
Louisiana	1,986,000	998,000	2,984,000	Utah	807,000	381,000	1,188,000
Maine	770,000	218,000	988,000	Vermont	347,000	126,000	473,000
Maryland	2,908,000	631,000	3,539,000	Virginia	3,637,000	1,092,000	4,729,000
Massachusetts	3,292,000	499,000	3,791,000	Washington	2,883,000	1,192,000	4,075,000
Michigan	5,637,000	1,656,000	7,293,000	West Virginia	932,000	389,000	1,321,000
Minnesota	2,553,000	714,000	3,267,000	Wisconsin	3,290,000	753,000	4,043,000
Mississippi	1,377,000	434,000	1,811,000	Wyoming	291,000	200,000	491,000
Missouri	2,753,000	1,120,000	3,873,000	Total U.S.	144,375,000	44,294,000	188,669,000

*Total vehicles excludes motorcycles (4,376,000)

Source: U.S. Department of Transportation, Federal Highway Administration

TOTAL U.S. MOTOR-VEHICLE REGISTRATIONS



FRANCHISED NEW-TRUCK DEALERSHIPS

New-truck sales totaled 4.9 million units in 1989, down 4 percent from the 5.1 million units sold in 1988. Medium- and heavy-duty truck sales, at 312,000 units, were down 7 percent from 1988. But class 3 and class 4 trucks posted strong increases.

Dealers sold 167,000 medium-duty trucks in 1989, a decline of 10 percent from 1988. Heavy-duty truck sales (145,000 units) fell for the first time in three years. Slower economic activity during the last half of 1989 was the major reason for the decline in medium- and heavy-duty sales.

Despite selling fewer new trucks, franchised dealers had a 5 percent increase in total dollar sales. Anticipating slower new-unit sales, dealers put more emphasis on other departments. The result: a 9 percent increase in used-vehicle sales and a 12 percent increase in service and parts sales. Warranty sales in 1989 were up 27 percent from 1988.

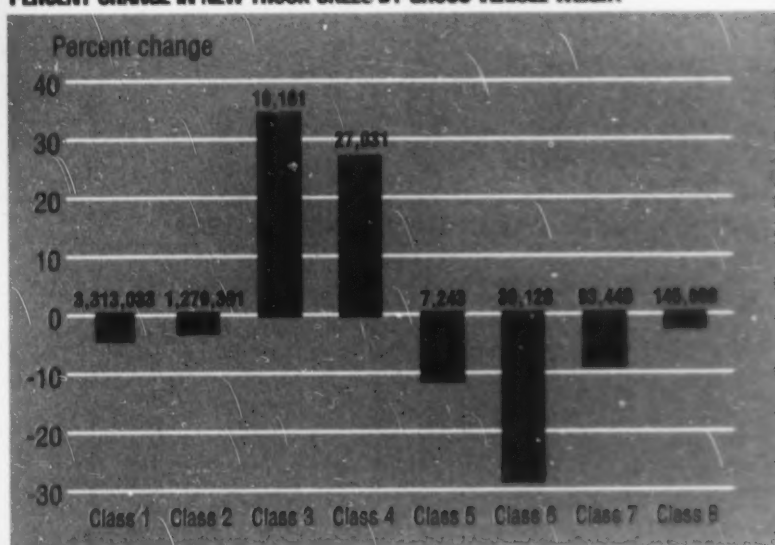
Total dealership net profit as a percent of sales dipped from 2.2 percent to 1.9 percent; expenses outpaced gross profit. Truck dealership expenses increased 9 percent during the year, while gross profit increased 8 percent.

TRUCK CATEGORIES

Trucks are classified by gross vehicle weight into eight categories as listed below:

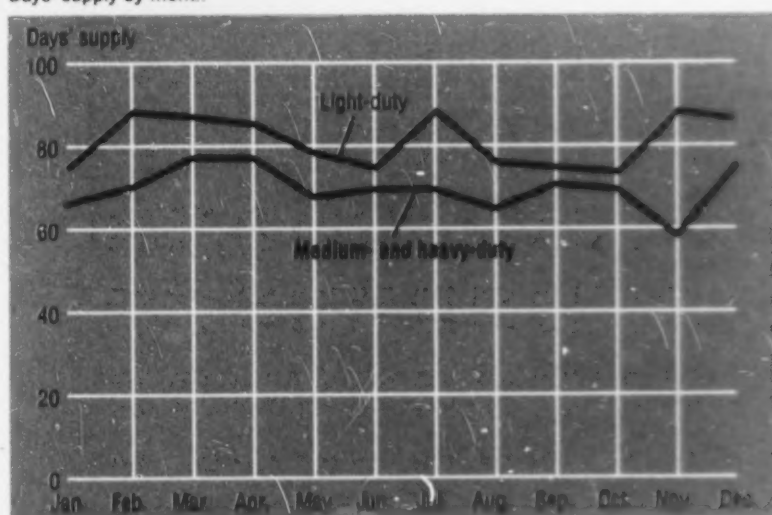
Class 1.....	0-6,000 lbs.
Class 2.....	6,001-10,000 lbs.
Class 3.....	10,001-14,000 lbs.
Class 4.....	14,001-16,000 lbs.
Class 5.....	16,001-19,500 lbs.
Class 6.....	19,501-26,000 lbs.
Class 7.....	26,001-33,000 lbs.
Class 8.....	33,000 lbs. and over

PERCENT CHANGE IN NEW-TRUCK SALES BY GROSS VEHICLE WEIGHT



1989 NEW TRUCK INVENTORIES

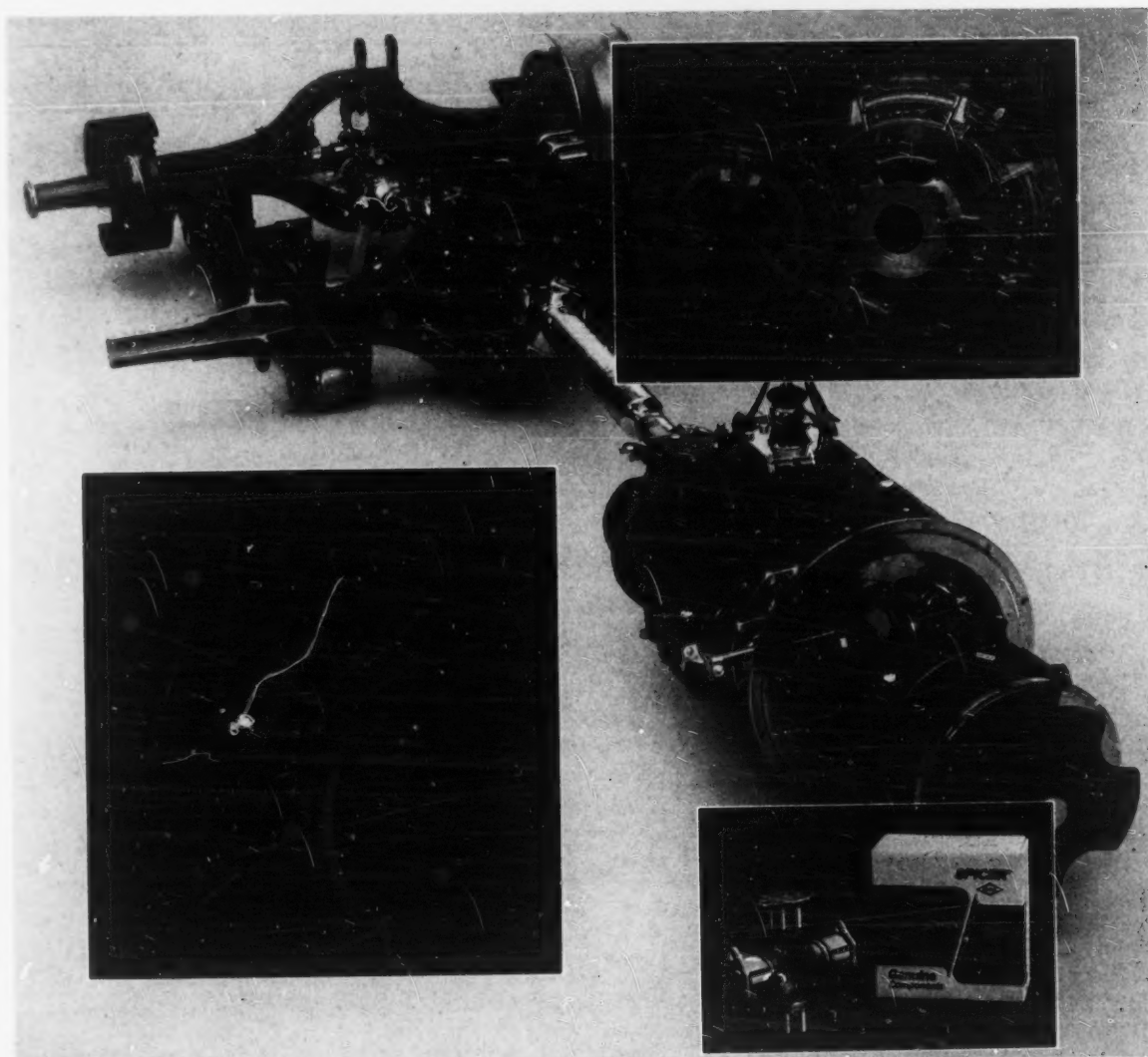
Days' supply by month



AVERAGE FINANCIAL PROFILE MEDIUM- AND HEAVY-DUTY TRUCK DEALERSHIPS

	1987	1988	1989
Total dealership sales	\$16,350,000	\$18,218,400	\$19,068,000
net profit as % of sales	1.8%	2.2%	1.9%
Total dealership gross	\$2,263,200	\$2,598,000	\$2,798,400
as % of total sales	13.8%	14.3%	14.7%
Total dealership expense	\$2,145,600	\$2,290,800	\$2,498,400
as % of total sales	13.1%	12.6%	13.1%
New-truck sales	\$9,894,000	\$11,511,600	\$11,433,600
as % of total sales	60.5%	63.2%	60.0%
Used-truck sales	\$1,599,000	\$1,836,800	\$1,994,400
as % of total sales	9.8%	10.1%	10.5%
Service and parts sales	\$4,497,600	\$4,546,800	\$5,095,200
as % of total sales	27.5%	25.0%	26.7%
Service and parts absorption	85.0%	85.0%	85.0%
Return on assets	6.6%	8.7%	6.7%
Return on net worth	24.9%	45.7%	28.6%

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The Spicer System

SPICER



Charge-Backs Don't Have To...

		CURRENT MONTH		% OF G.P.	PNVF
				100.0	
1	SALES				
2	GROSS PROFIT	65.67	45,485		
3	FINANCE AND INSURANCE INCOME	69.71	11,207		
4	SERVICE CONTRACTS	62.64	(12,472)		
5	CHARGE-BACKS				
7	SELLING EXPENSES:				
8	SALESPERSON'S COMPENSATION	01	5,000		
9	CUSTOMER RELATIONS & ADJUSTMENTS	03	1,000		
10	DEMONSTRATOR VEHICLE EXPENSE	06	750		
11	ADVERTISING	14	2,500		
12	SALES PROMOTION	15	1,500		
13	TOTAL SELLING EXP.		10,750		

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